

**DIRECT TESTIMONY  
OF  
RONALD R. PENNY**

1       Q.     Please state your name, address, and position with Carolina Power & Light  
2             Company.

3       A.     My name is Ronald R. Penny and my business address is 411 Fayetteville Street  
4             Mall, Raleigh, North Carolina. My position is Manager - Rate Support.

5       Q.     Please describe your educational background and professional experience.

6       A.     I obtained a Bachelor of Science Degree in Electrical Engineering from North  
7             Carolina State University and then joined the Company's Rates and Service  
8             Practices Department as a Research Analyst in 1975. Since that time, I have held  
9             various positions in the Rates and Engineering departments. I was appointed to my  
10            current position in 1995. While working in the Rates and Energy Services  
11            Department, I have been involved in numerous rate proceedings. I have sponsored  
12            testimony in at least five such cases before the Federal Energy Regulatory  
13            Commission.

14      Q.     What is the purpose of your testimony?

15      A.     The purpose of my testimony is to review the results of the Company's fuel cost  
16             and revenue collection for the period July 1995 through December 1995. In

1 addition, I will recommend a fuel factor for use during the April 1, 1996 through  
2 September 30, 1996 period.

3 Q. Please explain Penny Exhibit No. 1.

4 A. Penny Exhibit No. 1 is a summary of CP&L's actual system fuel cost and kilowatt-  
5 hour sales experienced during the period July 1995 through December 1995. The  
6 upper portion of the exhibit itemizes fossil fuel costs by type of fuel -- coal, oil,  
7 or natural gas -- and indicates the type of generating unit which consumed the fuel.  
8 The total fossil fuel expense is shown on line 9.

9 The fossil fuel cost component on line 9 is added to the nuclear fuel expense  
10 shown on line 10 and the purchased power expense shown on line 13 to provide the  
11 total fuel expense as shown on line 14. Line 15 is a summary of net system  
12 kilowatt-hour sales associated with the incurred fuel expense. Line 16 indicates the  
13 system cost of fuel per kilowatt-hour sold each month.

14 Q. How have the fuel revenue billings compared to the fuel costs which were  
15 incurred?

16 A. I have prepared Penny Exhibit No. 2 to compare the revenues billed South  
17 Carolina customers through the base fuel component of our general rates to the  
18 actual fuel costs attributable to those sales. The first line is the actual South  
19 Carolina jurisdictional kilowatt-hour sales in each of the months indicated. Line 2  
20 is the system fuel cost per kilowatt-hour as computed on Penny Exhibit No. 1.  
21 Line 3 is the base fuel component which was approved by the Commission and in

1 effect in each of the months shown. Lines 4 and 5 are computed by multiplying  
2 the kilowatt-hour sales from Line 1 by Line 2 to determine the revenues required  
3 and by Line 3 to determine the revenues billed. Line 6 is the difference between  
4 the revenues required and billed. Line 7 reflects any accounting adjustments that  
5 were made during the period. Line 8 is the cumulative effect of the over- and  
6 under recovery reported on line 6 plus the adjustments shown on line 7. Through  
7 December 1995, the Company was \$0.3 million over collected in fuel expense.

8 Q. Please explain Penny Exhibit No. 3.

9 A. Penny Exhibit No. 3 determines the calculation of a base fuel component of  
10 1.374¢/kWh for the six-month period April 1996 through September 1996  
11 consisting of a component for recovery of projected fuel expense for this period  
12 and a component to refund the projected over recovery at March 1996. This  
13 calculation is performed in accordance with the fuel statute which requires the  
14 Company to submit this information to the Commission.

15 Q. What factor are you recommending to the Commission for adoption in this  
16 proceeding?

17 A. I am asking this Commission to continue the fuel factor at 1.340¢/kWh for the next  
18 six-month period.

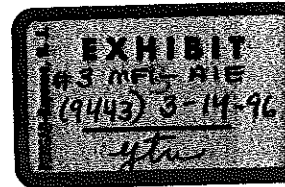
19 Q. Please explain Penny Exhibit No. 4.

20 A. Penny Exhibit No. 4 is a continuation of my Exhibit No. 2 showing projected costs  
21 and revenues, by month, for the period January 1996 through September 1996.

1           This exhibit continues the 1.340¢/kWh revenue factor through the September 1996  
2           projected period. My projection shows an over recovery of \$0.15 million at March  
3           1996 and an under recovery of \$1.1 million at September 1996.

4           Q.     Does that conclude your testimony?

5           A.     Yes, it does.



**CAROLINA POWER & LIGHT COMPANY**  
 SYSTEM FUEL COST  
 SOUTH CAROLINA RETAIL FUEL ADJUSTMENT  
 SIX MONTHS ENDED DECEMBER, 1995

EX1P1

	1995 JULY	1995 AUGUST	1995 SEPTEMBER	1995 OCTOBER	1995 NOVEMBER	1995 DECEMBER
STEAM ELECTRIC (ISSUED FROM ACCT 151)						
1 COAL	\$46,712,117.17	\$49,581,168.25	\$37,282,147.92	\$30,825,064.54	\$30,447,639.57	\$40,369,189.30
2 OIL	\$193,363.94	\$146,098.12	\$117,894.84	\$268,525.57	\$269,333.90	\$183,143.27
3 NATURAL GAS	0	0	0	0	0	0
4 TOTAL STEAM ELECTRIC	\$46,905,481.11	\$49,727,264.37	\$37,380,142.76	\$31,093,590.11	\$30,716,973.47	\$40,552,332.57
I. C. TURBINES (ISSUED FROM ACCT 151)						
5 OIL	\$396,025.46	\$1,559,780.71	\$3,592.61	\$11,188.79	\$56,490.71	\$64,594.70
6 NATURAL GAS	\$377,174.62	\$695,250.29	\$75,729.91	\$58,375.71	\$1,478.90	\$521.01
7 PROPANE GAS	\$22,337.04	\$148,762.06	\$647.85	\$82,130.16	\$23,553.69	\$798.85
8 TOTAL I. C. TURBINES	\$795,537.12	\$2,403,793.06	\$79,970.37	\$151,695.66	\$81,523.30	\$65,914.66
9 TOTAL FOSSIL FUEL	\$47,701,018.23	\$52,131,057.43	\$37,460,113.13	\$31,245,285.77	\$30,798,496.77	\$40,618,247.23
10 NUCLEAR FUEL	\$8,763,636.05	\$8,894,437.65	\$6,757,659.66	\$7,144,534.38	\$8,373,619.80	\$8,355,503.43
11 PURCHASED POWER: PURCHASES	\$17,542,532.85	\$21,975,392.63	\$14,564,706.44	\$17,496,002.90	\$13,924,937.89	\$14,569,455.48
12 SALES	(\$9,839,898.31)	(\$14,494,723.71)	(\$6,704,989.45)	(\$6,551,021.40)	(\$7,347,956.44)	(\$9,548,810.83)
13 NET	\$7,702,636.54	\$7,480,668.92	\$7,859,716.99	\$10,944,981.50	\$6,578,981.45	\$5,020,644.65
14 TOTAL FUEL COST	\$64,167,290.82	\$68,506,164.00	\$52,077,489.78	\$49,334,801.65	\$45,749,088.02	\$53,994,395.31
15 TOTAL KWH SALES	3,888,354,600	4,483,432,800	4,159,237,400	3,366,291,400	3,269,337,900	3,664,990,200
16 COST PER KWH	\$0.01650	\$0.01528	\$0.01252	\$0.01466	\$0.01399	\$0.01473

CAROLINA POWER & LIGHT CO.

## SOUTH CAROLINA RETAIL

## COMPARISON OF ACTUAL FUEL REVENUES AND EXPENSES

	1995 JULY	1995 AUGUST	1995 SEPTEMBER	1995 OCTOBER	1995 NOVEMBER	1995 DECEMBER
1 ACTUAL SALES (KWH)	585,146,979	649,666,733	600,988,923	505,270,017	489,401,549	541,238,933
2 ACTUAL FUEL COST	0.01650	0.01528	0.01252	0.01466	0.01399	0.01473
3 FUEL BASE	0.01340	0.01340	0.01340	0.01340	0.01340	0.01340
4 REVENUE REQUIRED	9,654,925	9,926,808	7,524,381	7,407,258	6,846,728	7,972,449
5 REVENUE BILLED	7,840,970	8,705,534	8,053,252	6,770,618	6,557,981	7,252,602
6 OVER (UNDER) RECOVERY	(1,813,955)	(1,221,374)	528,871	(636,640)	(288,747)	(719,848)
7 ACCOUNTING ADJUSTMENT	72,519	0	0	0	(10,106)	0
8 CUMULATIVE RECOVERY	\$2,671,508	\$1,450,134	\$1,979,005	\$1,342,365	\$1,043,512	\$323,664

**CAROLINA POWER AND LIGHT**  
**SOUTH CAROLINA RETAIL**  
**CALCULATION FOR BASE FUEL COMPONENT**  
**JANUARY 1996**

**1. Projected Expense from April, 1996 through September, 1996**

Cost of Fuel	\$302,727,200
System Sales	21,966,871 Mwhts
Average Cost Per KWH	1.378 cents

**2. Projected Revenue Difference through March, 1996**

Over-Recovery	\$150,079
Projected S.C. Retail Sales	3,417,652 Mwhts
Average Cost Per KWH	0.004 cents

**3. Base Cost Per KWH**

Projected Expense	1.378 cents
Revenue Difference	<u>-0.004 cents</u>
Base Fuel Component	1.374 cents

EX3P2

**CAROLINA POWER & LIGHT CO.**

**SOUTH CAROLINA RETAIL**

**COMPARISON OF PROJECTED FUEL REVENUES AND EXPENSES**

	1996 JANUARY	1996 FEBRUARY	1996 MARCH
1 ESTIMATED SALES (KWH)	578,805,000	552,304,000	511,560,000
2 ESTIMATED FUEL COST	0.01440	0.01375	0.01223
3 FUEL BASE	0.01340	0.01340	0.01340
4 REVENUE REQUIRED	8,334,792	7,594,180	6,256,379
5 REVENUE BILLED	7,755,987	7,400,874	6,854,904
6 OVER (UNDER) RECOVERY	(578,805)	(193,306)	598,525
7 CUMULATIVE RECOVERY	(\$255,140)	(\$448,446)	\$150,079

	1996 APRIL	1996 MAY	1996 JUNE	1996 JULY	1996 AUGUST	1996 SEPTEMBER
1 ESTIMATED SALES (KWH)	462,662,000	484,278,000	544,328,000	619,245,000	607,949,000	699,189,000
2 ESTIMATED FUEL COST	0.01043	0.01322	0.01585	0.01606	0.01454	0.01207
3 FUEL BASE	0.01340	0.01340	0.01340	0.01340	0.01340	0.01340
4 REVENUE REQUIRED	4,825,565	6,402,168	8,627,599	9,945,075	8,839,578	8,439,211
5 REVENUE BILLED	6,199,671	6,489,339	7,293,995	8,297,883	8,146,517	9,369,133
6 OVER (UNDER) RECOVERY	1,374,106	87,171	(1,333,604)	(1,647,192)	(693,061)	929,922
7 CUMULATIVE RECOVERY	\$1,524,185	\$1,611,356	\$277,752	(\$1,369,440)	(\$2,062,501)	(\$1,132,579)